



United States  
Department of  
Agriculture

Food and  
Nutrition  
Service

Mountain  
Plains  
Region

1244 Speer Boulevard  
Denver, CO 80204

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Reply to SP-94-63  
Attn. of: CACFP-377  
SFSP-216

Subject: Final Rule, 7 CFR Part 3051 - Audits of Institutions of Higher Education and Other Nonprofit Institutions

To: STATE AGENCY DIRECTORS  
(Special Nutrition Programs)

- Colorado ED, Colorado DH, Colorado SS,  
Iowa, Kansas, Missouri ED, Missouri DH,  
Montana OPI, Montana DHES, Nebraska ED,  
Nebraska SS, North Dakota, South Dakota,  
Utah, Wyoming ED, and Wyoming DHSS

This is to provide supplemental information for Child Nutrition Programs on implementing 7 CFR Part 3051. The effective date of CFR Part 3051 was August 3, 1993, the date of publication in the Federal Register. The rule establishes Department of Agriculture (USDA) audit requirements for institutions of higher education and other nonprofit institutions, and defines USDA responsibilities for implementing and monitoring such requirements. The rule implements OMB Circular A-133, "Audits of Institutions of Higher Education and Other Nonprofit Institutions" which supersedes Attachment F, subparagraph 2.h., of OMB Circular A-110, "Uniform Administrative Requirements for Grants and Other Agreements With Institutions of Higher Education, Hospitals, and Other Nonprofit Organizations." The rule also deletes the audit requirements for institutions of higher education and other nonprofit institutions from 7 CFR Part 3015.77, subpart I.

The Food and Nutrition Service (FNS) and State Agencies (SAs) responsible for administering the School Breakfast Program (SBP), National School Lunch Program (NSLP), Special Milk Program (SMP), Child and Adult Care Food Program (CACFP), Summer Food Service Program (SFSP), and Nutrition Education and Training Program (NET) must implement and enforce the provisions of 7 CFR Part 3051. Additionally, institutions of higher education and other nonprofit institutions whether they receive awards directly from FNS or receive awards indirectly from SAs under the SBP, NSLP, SMP, CACFP, SFSP, or NET must obtain audits in accordance with 7 CFR Part 3051.

The basic audit requirements of 7 CFR Part 3051 are contained in the attachment "Child Nutrition Program Audit Requirements Nonprofit Institutions". There are major distinctions between the audit requirements of 7 CFR Part 3051 from those under which Child Nutrition Programs were previously operating. One distinction involves the dollar threshold for determining an organization's audit requirement. Under 7 CFR Part 3051, the basis for making this determination is on the total **Federal Financial Assistance (FFA)** received by the organization rather than the total **Child Nutrition Program funds** received. Therefore, the policy which previously

established the threshold based on the Child Nutrition Program funds received is now obsolete for nonprofit organizations. However, the policy establishing the threshold for proprietary Title XIX and XX centers based on the Child Nutrition Program funds received as stated in CACFP-207, dated September 20, 1990 (copy attached) will remain in effect.

The recently implemented rule also requires a nonprofit organization to obtain organization-wide audits rather than program-specific audits if they receive FFA of \$100,000 or more. The only exception is for nonprofit organizations receiving this amount under just one program. For this purpose, 7 CFR Part 3051 allows a nonprofit organization which receives FFA solely from Child Nutrition Programs to cluster these categorical programs and treat the cluster as "one program" to determine the organization's audit requirements. By establishing the Child Nutrition Cluster which includes SBP, NSLP, SMP, CACFP, SFSP, NET and the commodities donated for use in these programs, a nonprofit organization receiving \$100,000 or more under the Child Nutrition Cluster has the option of obtaining either an organization-wide audit as described in OMB Circular A-133 or a program-specific audit of the Child Nutrition Cluster.

If any additional information or clarification is needed, please contact my staff at (303) 844-0359.

Original Signed by  
Ann C. DeGroat

ANN C. DEGROAT  
Regional Director  
Special Nutrition Programs

Attachments

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All CACFP/SFSP Staff  
All School Program Staff  
All Field Offices  
SFSP Handbook

## **CHILD NUTRITION PROGRAM AUDIT REQUIREMENTS NONPROFIT INSTITUTIONS**

Requirements applicable to 7 CFR Part 3051 for nonpublic, nonprofit organizations (i.e., Private Schools, Private Child Care Institutions, R.C.C.I.s).

### **RULE:**

### **TYPE OF AUDIT:**

\$100,000 or more a year in Federal financial assistance

1. General Rule\*

Organizationwide

2. Nonprofit institution that participating in only one program\*\*

Program-specific audit is allowable

\$25,000 but less than \$100,000 a year in Federal financial assistance

Organizationwide or a program-specific audit.

Less than \$25,000 a year in Federal financial assistance

None

### **AUDIT FREQUENCY**

**Organizationwide Audits:** The audit frequency coincides with the frequency with which financial statement audits are customarily obtained. For most, this would be annually, however it must be at least once every two years.

**Program-specific Audits:** The audit frequency is usually annually, however it must be at least once every two years. Therefore, where the organization is eligible for and elects a program-specific audit, it may be on a two-year cycle as long as it encompasses the two-year period.

\*Exception to General Rule: Based on a specific request of a nonprofit organization that receives Federal financial assistance under 2 or more substantially similar programs, USDA OFM may authorize a case-by-case exception if the organization can demonstrate that a more limited audit would satisfy the purpose of OMB Circular A-133.

\*\* The rule expands the definition of "program" to include nonprofit institutions that operate a cluster of child nutrition programs which includes the SBP, NSLP, SMP, CACFP, SFSPC and the NET Program. The value of USDA donated foods made available under these programs must also be included in the Child Nutrition Cluster.